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Budget battle lines

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SACRAMENTO -- Assembly Speaker Fabian Nunez, D-Los Angeles, was speaking softly and carrying a big stick Tuesday as he talked about the upcoming struggle to close a \$14.5 billion state budget shortfall.

Nunez said he wants a "50-50" split between spending cuts and new revenue, similar to the plan used by former Republican Gov. Pete Wilson in 1991 when he was faced with a \$14 billion budget gap.

The speaker also said that as a "last option" he is prepared to take mid-year budget action on a majority vote, without Republican support, if the minority party is unwilling to compromise.

As he spoke to the Sacramento Press Club, Nunez revealed that he has a nodule on his vocal chord that will, after the legislative session, require laser surgery that will leave him unable to talk for three weeks.

"If this thing bursts, I'm going to have permanent damage to my vocal chords," he said. "I've got to be very careful not overextend or overuse my voice."

The speaker said Assembly Democrats plan to push an alternative to Gov. Arnold Schwarzenegger's plan for mid-year budget action that would produce a \$1 billion reserve at the end of the fiscal year on June 30, larger than the \$872 million reserve in the governor's plan.

Democrats had previously danced around the issue of tax increases, talking about closing tax "loopholes" and ending tax "subsidies" that would produce relatively small amounts of revenue.

But prodded by a question, Nunez took the plunge and said half the budget solution should come from new revenue. He said tax increases should spare working and middle-income Californians, and he mentioned selling the state Lottery as a possible revenue source.

"I think we ought to just get back to what Gov. Pete Wilson did when he was faced with a similar situation, 50-50 -- 50 percent as revenues, 50 percent as cuts," Nunez said.

"I think that's a fair compromise," he said. "I think that's a conservative compromise, but a fair compromise nonetheless that I could support."

Wilson also had a vocal chord problem. Corrective surgery that did not go well left him unable to speak for a time as he launched an unsuccessful campaign for president in 1996.

Republican legislators, who are signing a no-tax pledge, argue that Wilson's \$7 billion tax increase slowed the economy and did not yield the expected revenue.

"Republicans are not going to vote for a tax increase," said Assembly Republican Leader Mike Villines of Clovis. "I think the 50-50 plan, Pete Wilson would even share, did not meet the goals."

Villines said he believes the budget shortfall can be closed through spending cuts and other "common sense" solutions that do not require a tax increase that could harm a weakening economy.

"It (a tax increase) will bring in a quarter of what people think, and it will make our situation even more dire," he said.

Gov. Arnold Schwarzenegger, who declared a fiscal emergency, wants the Legislature to make \$817 million in mid-year cuts as a first step toward closing an estimated \$14.5 billion shortfall next fiscal year.

Nunez said that as an alternative to the governor's proposal for a \$400 million mid-year cut to schools, Assembly Democrats want to follow a plan that would cut funds not likely to be spent this fiscal year.

The speaker said the plan might yield \$500 million in reductions this year and help avoid the need to suspend the Proposition 98 school-funding guarantee next year.

Nunez said he is predicting, not guaranteeing, that the Legislature will meet the Feb. 24 deadline for mid-year budget action set by the governor's emergency declaration.

"But short of anybody stepping up to the plate and being responsible, then we are going to have to look at all of the options that are on the table, including doing it with a simple majority vote," Nunez said.

At least six Assembly Republicans are needed for the two-thirds vote urgency clause allowing a bill to take effect immediately. A majority-vote bill would not take effect until 90 days after the fiscal emergency special session ends on Feb. 24.